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S. H. KRESS & COMPANY

ANNUAL REPORT

1941

CORP. FILE

S. H. KRESS & COMPANY

EXECUTIVE AND BUYING OFFICES
114 FIFTH AVENUE, NEW YORK, N. Y.

Officers

S. H. KRESS	*Chairman of the Board*
R. H. KRESS	*President*
P. FOX	*Vice-President*
W. L. BAKER	*Vice-President*
O. A. TAYLOR	*Treasurer*
H. F. CUNNINGHAM	*Secretary*
C. M. FUNK	*Assistant Treasurer*
H. D. WEISER	*Assistant Secretary*
P. W. DENZIN	*Assistant Secretary*
W. G. FOLK	*Asst. Sec. & Treas.*

Directors

S. H. KRESS
H. S. BOWERS
P. FOX
E. K. WILLIAMS
O. N. BIRKLAND
R. H. KRESS
W. L. BAKER
O. A. TAYLOR
J. M. HANCOCK
H. S. DAVIS
W. H. LOLLAR

Transfer Agent

LAWYERS TRUST COMPANY OF NEW YORK, N. Y.

Registrar

CHEMICAL BANK & TRUST CO. OF NEW YORK, N. Y.

January 28, 1942

To the Employes and Stockholders of S. H. Kress & Company:

The annual report of your Company for the year 1941 is submitted herewith. The Company's accounts have been examined by Messrs. Price, Waterhouse & Co., public accountants, whose certificate is appended to the statement.

The sales for the year 1941 were $101,396,512—14.8% higher than sales for the year 1940. The profit for the year, before federal income and excess profits taxes, was $10,043,211, as compared with $7,055,160 for the preceding year. The net profit for the year after all charges was $5,123,211, representing $1.97 per share on the outstanding common stock, after dividend payments on the special preferred stock in the hands of the public. This compares with earnings of $5,339,160, or $2.09 per share on the outstanding common stock for the year 1940. Dividends of $1.60 per share were paid on the common stock in 1941 — the same amount as in the prior year.

The Company operated 242 stores at the end of 1941. A new store was opened during the year at Miami Beach, Florida; one store was temporarily closed as the result of a fire. The usual high standard of the stores has been maintained and rehabilitations and improvements made where it was deemed advisable. Three new stores, at Jacksonville, Fla., Houston, Tex., and Harlingen, Tex., are scheduled for opening in 1942.

Our inventories are higher than at the close of the preceding year as the result of higher costs and the necessity of acquiring adequate stocks to meet our customers' demands. The inventories are valued on the usual basis, cost or market, whichever is lower.

The increasing requirements of federal, state and municipal governments for taxes are reflected by charges against this year's operations of $7,395,005. In addition, the Company collected $1,604,513 in excise and sales taxes from customers. These aggregate taxes of $8,999,518 are equivalent to $37,188 per store in operation at the close of the year and 8.9 cents of each dollar of sales.

A retirement pension plan was approved by the stockholders on July 16, 1941 and went into operation as of July 1, 1941. Employes over 30 years of age but not over 55 and having at least 10 years' service and earning a minimum of $3,000 a year are provided for under the plan. It is proposed to extend this plan during 1942 to employes in the $2,000 to $3,000 salary group.

The officers and employes accept their individual and collective responsibility for full cooperation in the Victory program. The directors and officers wish to thank the employes for their loyal and efficient services in carrying out the policies and maintaining the high standards of the Company.

By order of the Board of Directors.

S. H. Kress, *Chairman.*

S. H. KRESS

Balance

	December 31, 1941	December 31, 1940
ASSETS		
CURRENT ASSETS:		
Cash	$ 9,977,006	$12,955,679
U. S. Government securities, at cost (quoted market value, December 31, 1941—$3,026,250)	3,036,562	390,000
Sundry debtors	282,353	25,104
Inventories of merchandise, including merchandise in transit, at cost or market, whichever is lower	19,945,398	14,335,319
Total current assets	$33,241,319	$27,706,102
LOANS AND ADVANCES TO LANDLORDS, DEPOSIT IN ESCROW AND MISCELLANEOUS NOTES RECEIVABLE	$ 431,821	$ 314,936
PREPAID INSURANCE PREMIUMS, DEFERRED RENTAL EXPENSES, PREPAID TAXES, RENTS, ETC.	$ 563,595	$ 419,493
CAPITAL ASSETS:		
Fixtures and equipment, at cost	$15,076,596	$14,596,690
Less—Reserve for depreciation	9,323,423	8,841,965
	$ 5,753,173	$ 5,754,725
Leasehold and other improvements, at cost	$16,905,882	$16,527,840
Less—Reserve for amortization	6,489,965	5,868,882
	$10,415,917	$10,658,958
Land and buildings owned in fee, at cost in cash and capital stock	$38,100,638	$37,830,950
Less—Reserve for depreciation	6,100,054	5,511,713
	$32,000,584	$32,319,237
Goodwill, leaseholds, etc.	$ 1	$ 1
Total capital assets	$48,169,675	$48,732,921
	$82,406,410	$77,173,452

To the Stockholders of
S. H. Kress & Company:

We have examined the balance sheet of S. H. Kress & Company as of Decen ended, have reviewed the system of internal control and the accounting procedu have examined or tested accounting records of the Company and other supporting was made in accordance with generally accepted auditing standards applicable in t

In our opinion, the accompanying balance sheet and related statement of p at December 31, 1941, and the results of its operations for the year then ended, consistent with that of the preceding year.

56 PINE STREET,
New York,
January 28, 1942

& COMPANY

Sheet

	December 31, 1941	December 31, 1940
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable—trade creditors	$ 986,511	$ 352,487
Accounts payable—merchandise in transit	1,188,591	1,441,123
Accrued expenses and miscellaneous accounts payable	2,626,669	1,887,922
Provision for federal income, excess profits and capital stock taxes	5,075,070	1,836,436
Total current liabilities	$ 9,876,841	$ 5,517,968
CAPITAL STOCK AND EARNED SURPLUS:—		
Capital stock:		
Special preferred stock—6% cumulative— Authorized— 1,000,000 shares of $10 each ($10,000,000)		
Issued—911,976-6/40 shares	$ 9,119,761	$ 9,119,761
Common stock without par value— Authorized—2,678,787 shares Issued or reserved for exchange of old stock— 2,357,574 shares	48,511,253	48,511,253
Total capital stock	$57,631,014	$57,631,014
(Common stock reserved for sale to employes—68,434 shares)		
Earned surplus, per statement attached	16,929,252	16,055,127
	$74,560,266	$73,686,141
Less—Cost of shares of special preferred and common stock reacquired and held in treasury (December 31, 1941—special preferred stock, 191,089 shares, $1,912,180; common stock, 5,900 shares, $118,517)	2,030,697	2,030,657
Total capital stock and earned surplus	$72,529,569	$71,655,484
	$82,406,410	$77,173,452

ıber 31, 1941, and the statement of profit and loss and surplus for the year then
ıres of the Company and, without making a detailed audit of the transactions,
evidence, by methods and to the extent we deemed appropriate. Our examination
he circumstances and included all procedures which we considered necessary.
rofit and loss and surplus present fairly the position of S. H. Kress & Company
in conformity with generally accepted accounting principles applied on a basis

PRICE, WATERHOUSE & Co.

S. H. KRESS & COMPANY

Statement of Profit and Loss and Surplus

	Years ending December 31, 1941	1940
Gross sales	$101,396,512	$88,299,960
Deduct:		
Cost of merchandise sold, taxes and other operating expenses (including amounts charged to owned stores as rental)	$ 90,334,814	$80,658,868
Provision for depreciation and amortization	2,538,818	2,311,163
	$ 92,873,632	$82,970,031
	$ 8,522,880	$ 5,329,929
Add:		
Amount charged to owned stores as rental (included in operating expenses above)	$ 1,430,407	$ 1,413,603
Rentals received from other tenants	254,292	307,409
Profit on sales of U. S. Government securities	44,537	2,081
Miscellaneous other income	37,653	11,291
	$ 1,766,889	$ 1,734,384
	$ 10,289,769	$ 7,064,313
Deduct:		
Provision for employes' retirement pension trust plan	$ 136,992	
Loss on sale of capital assets	109,566	$ 9,153
	$ 246,558	$ 9,153
Profit before provision for federal income and excess profits taxes	$ 10,043,211	$ 7,055,160
Provision for federal income taxes	$ 2,405,000	$ 1,716,000
Provision for federal excess profits taxes	2,515,000	
	$ 4,920,000	$ 1,716,000
Profit for the year	$ 5,123,211	$ 5,339,160
Earned surplus at beginning of year	16,055,127	14,910,991
	$ 21,178,338	$20,250,151
Dividends paid:		
On common stock	$ 3,762,678	$ 3,762,678
On special preferred 6% cumulative stock	486,408	432,346
	$ 4,249,086	$ 4,195,024
Earned surplus at end of year	$ 16,929,252	$16,055,127

Comparative Annual Sales and Profits

Year	Sales	Sales Increase Over Preceding Year	Profits	Profits ¢ per $ Sales	No. of Stores End of Year
1916	$15,059,683	21.15%	$1,354,093	8.98	130
1917	17,633,100	17.08	1,465,461	8.31	144
1918	21,160,111	20.00	1,158,717	5.47	144
1919	25,244,131	19.30	2,075,826	8.22	145
1920	28,973,847	14.77	960,855	3.31	145
1921	28,908,981	(.22)	1,258,142	4.35	142
1922	30,646,938	6.01	3,088,641	10.08	145
1923	34,005,464	10.95	3,472,902	10.21	152
1924	40,259,232	18.39	3,143,934	7.80	161
1925	45,963,182	14.17	4,158,521	9.05	166
1926	51,869,460	12.85	4,672,952	9.01	169
1927	58,059,925	11.93	5,089,037	8.77	183
1928	65,054,637	12.05	5,627,702	8.65	193
1929	68,474,993	5.26	5,834,400	8.52	203
1930	69,283,102	1.18	5,342,606	7.71	212
1931	69,041,926	(.35)	5,016,481	7.27	221
1932	62,776,948	(9.07)	3,428,148	5.46	230
1933	65,018,110	3.57	5,159,308	7.93	230
1934	75,662,274	16.37	5,872,431	7.76	232
1935	78,479,130	3.72	5,791,704	7.38	234
1936	86,767,531	10.56	5,852,395	6.74	235
1937	87,871,478	1.27	5,856,447	6.67	234
1938	82,187,173	(6.47)	3,668,216	4.46	240
1939	84,851,373	3.24	4,963,870	5.85	240
1940	88,299,961	4.06	5,339,161	6.04	242
1941	101,396,512	14.83	5,123,211	5.05	242

This annual report to stockholders is not a representation, prospectus or circular in respect of any stock or security, and is not transmitted in connection with any sale or offer to sell, or solicitation of an offer to buy, any stock or security now or hereafter to be issued, or with any preliminary negotiations for such sale.